



# Bulletin

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2004-02B

## **PROPERTY TAX CLASSIFICATION**

TO: Local Officials

FROM: Gerard D. Perry, Acting Deputy Commissioner  
Division of Local Services

DATE: January 2004

SUBJECT: Change in Classification Limits

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This *Bulletin* informs local officials about just enacted legislation that changes the limits found in the property tax classification law for allocating the annual property tax levy among residential and business taxpayers. Ch. 3 of the Acts of 2004. This change is effective immediately and may be used by communities that have not yet set their fiscal year 2004 tax rates.

As you know, the tax levy shifts allowed under classification are based on the percentage share of fair cash value that each property class bears to the total fair cash valuation of the community. G.L. Ch. 58 §1A. The basic parameters for shifting the tax levy are that residential taxpayers must pay at least 65 per cent of their fair cash value share of the levy and business taxpayers can pay no more than 150 per cent of their fair cash value share. These parameters can be exceeded in any fiscal year, however, if adoption of that maximum shift would result in residential taxpayers paying a greater percentage share of the tax levy than in the previous year. The maximum shift in those cases is based on (1) business taxpayers paying no more than 175 per cent of their fair cash value share of the tax levy and (2) residential taxpayers paying at least 50 per cent of their fair cash value share, or the lowest percentage share of the tax levy they have paid since classification began, whichever is more.

Under the change, there will be expanded parameters for fiscal years 2004, 2005, 2006 and 2007. A community will continue to have its maximum shift computed under current law in each of those years. If adopting that shift would result in residential taxpayers paying a greater share of the tax levy than the prior year, the shift will then be further adjusted upward using that year's expanded parameters.

The expanded parameters for determining the maximum shifts for communities that qualify are:

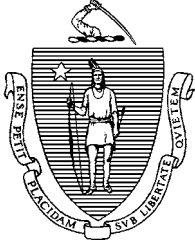
Fiscal Year	Maximum Business Share	Minimum Residential Share
2004	200%	45%
2005	197%	47%
2006	190%	49%
2007	183%	50%

There is an additional limitation that residential taxpayers cannot pay a lower share of the tax levy than in the prior year.

**The actual tax bills in communities that use these expanded parameters for any of these years must include the attached letter from the Commissioner of Revenue that explains the real estate market trends that have caused a shift in the tax burden to residential taxpayers and the mitigating effect of this legislation.**

In fiscal year 2008, communities that used expanded parameters in any of these years will have their maximum shift determined as under current law. Beginning in fiscal year 2009, however, the maximum shift in these communities will be based on business taxpayers paying no more than 170% of their fair cash value share of the tax levy.

The fiscal year 2004 Automated Tax Rate Recap program has been updated to reflect the new classification limits. The program can be downloaded from our web site by going to: [www.dls.state.ma.us/boa.htm](http://www.dls.state.ma.us/boa.htm) and clicking on the "Get FY2004 Recap Program" link.



ALAN LEBOVIDGE  
COMMISSIONER

# *The Commonwealth of Massachusetts*

## *Department of Revenue*

### *Office of the Commissioner*

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#### To Local Property Taxpayers:

Since 1980, each municipality has had the option to choose whether to apply a single, uniform tax rate to all properties or to have different rates for residential and commercial properties. Using so-called split rates allows for the shifting of a portion of the tax burden from the residential to commercial class. The actual amount of taxes that may be shifted depends on the assessed valuation of each class compared to the municipality's total value.

Until this year, the maximum allowable differential in rate was that the commercial taxpayers could not pay more than 175% of the taxes they would pay under a single rate. In addition, at no time could residential taxpayers pay less than 50% of what would have been due if a single rate had been used. Currently, approximately one-third of the municipalities utilize this split rate structure.

Because of the recent, significant increases in residential values, but without corresponding increases in commercial values, some municipalities felt that legislative relief was needed to deal with what they called a "unique" and "short term aberration" in real estate market conditions. Certain municipalities indicated that more flexibility in determining the maximum shifting percentage was necessary to prevent large residential tax increases.

In response to this situation, the Legislature passed and the Governor signed Chapter 3 of the Acts of 2004. Your municipality has chosen to use the option provided by this legislation, which allows it to **temporarily** increase the shift in tax burden for commercial properties up to 200% for fiscal 2004 and reduce the minimum burden for residential properties to 45%. These percentages will be in place for fiscal 2004 and then phased back over the next three fiscal years.

As a result of this decision, beginning in fiscal 2009, your municipality's maximum shift to commercial properties will be 170% since it chose to exceed the preexisting 175% maximum.

Questions about the valuation of your property should be addressed to your assessors.

Very truly yours,

A handwritten signature in cursive script that reads "Alan LeBovidge".

Alan LeBovidge  
Commissioner of Revenue